

Audit Committee - Terms of Reference

Purpose and objectives of the body

Overview

The Audit Committee is responsible for independent oversight of the firm's financial reporting, interaction with the external auditors (including their appointment and ongoing assurance of their independence) and oversight of the firm's internal audit function.

The Audit Committee is appointed by the Partnership Council to assist the Partnership Council in discharging its responsibilities. As it does so, it will ensure that it complies with all relevant provisions of the Audit Firm Governance Code 2022.

Membership

The Audit Committee will comprise at least three members of the Partnership Council (one of whom will be the Chair), the firm's Senior Partner and one of the firm's Independent Non-Executives.

Each member should have skills and experience appropriate to the Firm's business.

The tenure of the Partnership Council members will be the duration of their term on Partnership Council.

The Senior Partner will remain a member of Audit Committee for the period they serve as Senior Partner of the Firm.

The tenure for the INE will be the duration of their term.

An Audit Committee member from Partnership Council can request to step down by making a formal request to the Chair. The Chair will consider the basis of the request and if granted will nominate a new member of the Audit Committee for approval by Partnership Council.

If an Audit Committee member from Partnership Council is required to step down from Partnership Council, they will also be removed from the Audit Committee. The Chair will then nominate a new member of the Audit Committee for approval by Partnership Council.

If the Chair requests to step down or is required to step down from the Audit Committee, the Senior Partner will then nominate a new Chair of the Audit Committee for approval by Partnership Council.

Should there be a change in the INEs, a new INE with the appropriate skills will be selected to sit on the Audit Committee.

The Chair has the ability to remove any member from the Audit Committee following consultation and agreement with Partnership Council.

Casual vacancies which arise, whether caused by death, disqualification, resignation or otherwise, shall be filled on the same basis as the election of new members.

Audit Committee Secretary

The Audit Committee Secretary will be provided by the Office of the Senior Partner and will support the Chair by helping the Audit Committee to run effectively. This includes ensuring effective arrangements for the presentation of high quality information with papers available at least a week in advance of the meetings, comprehensive minutes and a process to follow up on agreed actions.

Chairing the body

The Senior Partner will nominate the Chair of the Audit Committee who will then be proposed for approval by the Partnership Council. The Audit Committee Chair will nominate the Audit Committee members who will then be proposed for approval by the Partnership Council.

The Chair will remain in place for the duration of their term on Partnership Council.

With the support of the Audit Committee Secretary, the Chair will have the following responsibilities:

- Convene meetings
- Set the agenda
- Prepare and collate papers and ensure they are available at least a week in advance of the meetings
- Draft and agree with the Audit Committee the wording of any report to be presented to Partnership Council (but not a report of matters discussed)
- Ensure full and factual minutes are prepared, approved and stored appropriately

Meetings

There will be an opportunity to declare any actual or perceived conflicts of interest at the start of each meeting. Should any member of the Audit Committee believe there is a conflict of interest this must be declared and minuted. If it is agreed there is a conflict, the member must not be present in the meeting for that agenda item.

Meetings shall be held not less than three times a year and should correspond with the Partnership's reporting cycle.

A non-routine meeting of the Audit Committee can be called by the Chair or any member at any time. The Secretary will convene a meeting on receipt of a request by the external or internal auditors or any member of the Audit Committee.

The Audit Committee will meet the external and internal auditors in private at least once a year to discuss any relevant matters.

Quorum and attendance

A quorum of any meeting will be three members, each through any agreed media including remote participation.

Only Committee members are entitled to attend meetings. The Audit Committee may invite such other persons (e.g., the Managing Partner, Finance Partner, external audit engagement partner, internal audit team members, Quality and Risk Management Committee members) to attend its meetings, as it deems appropriate.

Any individual whether within or outside the firm, can be invited to attend an Audit Committee meeting as an attendee but not as a member

Minutes

The Audit Committee Secretary will minute the proceedings and decisions of all the Audit Committee meetings, including recording the names of those present and in attendance.

Draft minutes of the Audit Committee meetings will be circulated first to the Chair and then to all other Audit Committee members for review and comment.

Once approved by email, minutes will be shared with Partnership Council, the managing partner and the INEs unless it would be inappropriate to do so.

A summary of the meeting will be published to Equity Partners shortly after the meeting.

Decision making and responsibilities

The Audit Committee shall reach decisions by a simple majority of voting on the matters in question. If the numbers of votes for and against a certain proposal are equal, the Chair has the casting vote. All decisions should be captured within the minutes of the meeting, to be subsequently approved by all members at the following meeting.

If it becomes necessary to escalate an issue or point of disagreement, this should be escalated to the Partnership Council.

Designated powers

The Partnership Council authorises the Audit Committee, within the scope of its responsibilities, to:

- Perform activities within the scope of its terms of reference.
- Engage independent counsel and such other advisers as it deems necessary to carry out its duties.
- Ensure the attendance of partners and management at meetings as appropriate.
- Have unrestricted access to partners, management, staff and relevant information.
- Recommend appointments and retention or replacement of external auditor.
- Review and monitor the independence and objectivity of the external auditor.
- Perform the activities set out below under the headings of internal control, financial reporting, compliance with laws and regulations, external audit and reporting.

Internal control

Review the effectiveness of the firm's internal control framework including:

- Review the process adopted by the Leadership Team for risk identification and management - as part of this review the Audit Committee Chair will request a member of the Quality and Risk Management Committee to be invited to present to the Audit Committee at least once a year.
- Monitor and review the effectiveness of the internal audit function and any co- or out-sourced model.
- Consider with management the appointment of the Head of Internal Audit and ultimately approve that appointment.
- Seek such assurance as is considered appropriate that the internal audit function is independent, adequately resourced and has appropriate standing within the firm.

- Review, challenge and approve the internal audit plan and budget annually with consideration for the firm's risk profile.
- Review the results of the Internal Audit reviews performed.
- Review the results of the internal audits performed with consideration given to the purpose of providing firm wide assurance and implement best practice (specifically document timeliness and completion of actions to demonstrate closure; consider learning and development opportunities; provide feedback on recurring themes and root causes; share best practice and raise awareness of our risk culture and tolerance).
- Establish KPIs for the internal audit function to demonstrate the value of assurance provided to the firm.

Financial reporting

- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and understand their impact on financial reports.
- Meet with management and external auditors to review the financial statements, the key accounting policies and judgements and the results of the audit
- Review, and challenge where necessary, the actions and judgements of management in relation to the annual financial statements.
- Ensure that key accounting policies, significant adjustments, unadjusted differences and disagreements with management are discussed with the external auditor.
- Review other sections of the annual report before its release and consider whether the information is appropriate
- Review and comment on whether the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the firm's performance.
- Review the press release in relation to the financial results and consider whether the contents are appropriate and consistent with the financial statements.
- Review the reconciliation of statutory profit to profit available for distribution.
- Review the annual financial statements of the firm and recommend their approval to the Partnership Council, prior to their signature by the Designated Members.
- Give authorisation to the Senior Partner for circulation of the annual financial statements to the Equity Partners.

Compliance with laws and regulations

- Be satisfied that all regulatory compliance matters, related to the Partnership have been considered in the preparation of the financial statements
- Review the firm's Annual Transparency Report prior to release.

External audit

- Assess annually the qualification, expertise and resources, and independence of the external auditor, taking account of relevant Ethical Standards and ensuring that key partners are rotated at appropriate intervals.
- Assess annually the effectiveness and quality of the external audit process.

- Review with the Finance Partner the audit fee and audit engagement letter and to ensure the external auditor is independent.
- Discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulation and other auditing standards and guidelines.
- Invite challenge by the external auditor, giving due consideration to points raised and making changes to the financial statements in response, where appropriate
- Review the external auditor's management letter and management's response.
- Review the letter of representation prior to management sign off.
- Review policies for the provision of non-audit services by the external auditor
- Monitor the firm's non-audit relationships with audit firms to ensure the availability of a fair choice of suitable external auditors at the next tender.

- Make appropriate recommendations, if considered necessary, to the Designated Members regarding the continuation of the external auditor, to lead the selection process for new auditors and, if an auditor resigns, to investigate the issues leading to this and decide whether any action is required.

Reporting responsibilities

The Audit Committee will:

- Regularly update the Partnership Council about the Committee's activities.
- Ensure the Partnership Council are advised of matters of which the Audit Committee becomes aware that may significantly impact on the financial condition or affairs of the business.
- Prepare any reports required of it by law or requested by the Partnership Council.

Accountability

The Audit Committee is accountable to Partnership Council. Other stakeholders include the Leadership Team, the wider partnership (both equity and salaried partners), the external auditors, employees and the regulators of the firm.

Connectivity with other bodies

The key connectivity will be with the Partnership Council in reporting back on the Audit Committee's activities. There will also be connectivity with the Quality and Risk Committee and Public Interest Committee.

Assessing effectiveness of the body

The Audit Committee will evaluate its effectiveness on an annual basis by reference to these Terms of Reference and the governance KPIs in place from time to time.

Schedule for reviewing Terms of Reference

The terms of reference will be reviewed as part of the effectiveness review on an annual basis. Any changes will be agreed with Partnership Council.



Approved by Audit Committee in January 2024